

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 TRSE-00 EB-08 OMB-01 AGR-01
IO-13 SSO-00 NSCE-00 CIAE-00 DODE-00 NSAE-00
ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03 PA-01
SP-02 SS-15 /076 W
-----125388 171654Z /46
O 171512Z AUG 78
FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC IMMEDIATE 9440

C O N F I D E N T I A L SECTION 1 OF 2 ADDIS ABABA 3626

E.O. 11652: GDS
TAGS: EINV, EAID, ET
SUBJECT: AID, COMPENSATION, AND APPROACH TO MENGISTU

REF: STATE 208135

1. CONCERNING TALKING POINT ONE, AFTER DETAILED CONSULTATION WITH ACTING AID DIRECTOR, BELIEVE IT IS FAR BETTER TO APPROACH CHAIRMAN MENGISTU WITHIN FRAMEWORK OF ENTIRE US ECONOMIC ASSISTANCE PROGRAM RATHER THAN ADDITIONAL ADD-ON OF \$1.2 MILLION, OF WHICH \$200,000 IS FOR A POPULATION PROGRAM WHICH HAS STILL TO BE APPROVED BY THE BOARD OF DIRECTORS OF THE LOCAL FAMILY GUIDANCE ASSOCIATION. MOREOVER, ONLY \$250,000 (IMT) OF THE \$1.2 MILLION TOTAL IS TO BE SIGNED WITH PMGSE. REMAINDER WILL GO THROUGH PRIVATE VOLUNTARY ORGANIZATIONS AND AGREEMENTS WILL BE SIGNED IN THE US FOR ON-GOING ACTIVITIES IN ETHIOPIA PER STATE 208484 AND 206261.

2. WITH REGARD TO THREE PROJECTS WHICH ARE THE SUBJECT OF TALKING POINT ONE, BELIEVE THEY SHOULD BE DESCRIBED AS \$6.3 MILLION PACKAGE OVER NEXT FOUR TO FIVE YEARS, SUBJECT TO CONGRESSIONAL APPROVAL OF APPROPRIATIONS, WITH INITIAL FY 78 OBLIGATIONS OF \$1.2 MILLION. IF THE
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PROJECTS ARE TO BE INITIATED, THEY SHOULD BE COMPLETED. RATHER THAN STOPPED IN THE MIDDLE. THIS RAISES THE QUESTION AS TO WHETHER THE \$1.2 MILLION FY 78 OBLIGATION SHOULD BE RAISED IN THE FIRST PLACE, IF CHAIRMAN MENGISTU IS TOTALLY UNRESPONSIVE OR REFUSES TO RECEIVE AMBASSADOR, EVEN IN THE EVENT OF A PRESIDENTIAL LETTER. AID/EMBASSY CONCLUSION IS THAT PROJECTS, WITH THE POSSIBLE EXCEPTION OF IMT PROJECT,

WILL REQUIRE MINIMUM AID MISSION SUPERVISION AND STAFFING. IT IS UPPER DIDESSA PROJECT, WHICH ALREADY SIGNED, WHICH INVOLVES THREE AID TECHNICIANS IN THE FIELD AND WHICH HAS IMPLICATIONS AS A RESULT OF PRESENT LACK OF EFFECTIVE COOPERATION BY LOCAL AUTHORITIES WITH AID CONTRACTORS AND PROBABLE SERIOUS ADVERSE PMGSE REACTION TO A NEGATIVE US VOTE IN A IFI. ON THE OTHER HAND, ACTING AID DIRECTOR HAS RECEIVED REPEATED INDICATIONS THAT UPPER DIDESSA PROJECT HAS THE HIGHEST PRIORITY WITH THE CHAIRMAN AS A RESULT OF SERIOUS AND CONTINUING DROUGHT AND FAMINE PROBLEM IN WOLLO AND TIGRE PROVINCES, AND WE WOULD HOPE THAT THIS PRIORITY WOULD MITIGATE OR AVOID THE KINDS OF ADMINISTRATIVE PROBLEMS WHICH HAVE BEEN ENCOUNTERED WITH REGARD TO OTHER AID PROJECTS IN THE FIELD TO DATE.

3. WE BELIEVE THAT PRESENTATION TO CHAIRMAN SHOULD BE IN CONTEXT OF ENTIRE US CONTRIBUTION WHICH HAS INVOLVED SO FAR IN FY 78 \$5,631,000 FOR RELIEF ASSISTANCE PLUS APPROXIMATELY \$5.0 MILLION "NORMAL USG/CONTRIBUTION TO ETHIOPIA VIA WFP, UNICEF AND CRS WHICH TOTALS ABOUT 15,000 METRIC TONS OF WHEAT FOR FY 78," PLUS \$400,000 PROPOSED EMERGENCY BALE-SIDAMO GRANT, PLUS PROPOSED CRS/MCH PROGRAM IN WOLLO-TIGRE AT \$1,329,000 INCLUDING SHIPPING VALUE AND SUPPORT COSTS, PLUS PROPOSED FY 79 PROGRAM OF \$10.8 MILLION (EXCLUDES AGRICULTURAL SECTOR GRANT) AND ONGOING COSTS OF CURRENTLY ACTIVE PROJECTS AND THOSE FORESEEN
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FOR INITIATION STILL IN FY 78 AND FY 79 WHICH TOTAL AN ADDITIONAL \$30 MILLION OVER THE LIFE OF THE PROJECTS ACCORDING TO AID MISSION CALCULATIONS. USAID HAS PREPARED SINGLE SHEET ON DEVELOPMENT ASSISTANCE AND TWO-PAGE SUMMARY OF INDIVIDUAL ITEMS IN RELIEF ASSISTANCE WHICH EMBASSY BELIEVES ARE THE PROPER SUPPORTING DOCUMENTS FOR TALKING POINT ONE.

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-----125444 171655Z /46

O 171512Z AUG 78

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC IMMEDIATE 9441

C O N F I D E N T I A L SECTION 2 OF 2 ADDIS ABABA 3626

4. ACTING AID MISSION DIRECTOR WILL INFORM MINISTER OF AGRICULTURE AND PLANNING COMMISSION CONCERNING AGRICULTURAL SECTOR DEVELOPMENT PROJECT SLIPPAGE MENTIONED PARA 2 REFTEL, AND AMBASSADOR WILL TOUCH THIS POINT LIGHTLY WITH MENGISTU REFERRING TO ORDERLY MANAGEMENT OF RESOURCES. WE BELIEVE IT BETTER NOT TO DISCUSS \$6-10 MILLION RANGE FOR AGRICULTURAL SECTOR GRANT IN FY 79 BECAUSE OF CONCENTRATION AT TECHNICAL LEVELS HERE PREVIOUSLY ON \$10 MILLION FIGURE FOR INITIAL YEAR CONTRIBUTION. BELIEVE WE SHOULD NOT BE UNDER ANY ILLUSIONS BUT THAT US CONTRIBUTION TO MINIMUM PACKAGE II PROGRAM IS OUR MAJOR BARGAINING TOKEN, AND OUR NEGATIVE VOTE IN IDA ON THIS PROJECT IS A CORRESPONDING MAJOR LOSS FROM ETHIOPIAN POINT OF VIEW WHICH GOVERNMENT WILL TRY TO AVOID. MPP II HAS GREAT APPEAL HERE AND IS WIDELY KNOWN. OUR ACTION ON THIS PROJECT WILL BE WIDELY NOTED.

5. WHILE WE CONTINUE TO RECEIVE INDICATIONS THAT CHAIRMAN MENGISTU IS INTERESTED IN IMPROVING RELATIONS WITH THE WEST AND IN RECEIVING ADDITIONAL AMOUNTS OF ECONOMIC ASSISTANCE FROM WESTERN COUNTRIES, PARTICULARLY IN VIEW OF DETERIORATING FOREIGN EXCHANGE RESERVE POSITION, WE MUST REALIZE THAT OUR TOTAL ECONOMIC ASSISTANCE PROGRAM IS VERY SMALL INDEED COMPARED TO ENORMOUS MILITARY AID
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FROM SOVIET UNION WHICH, ACCORDING TO UNPRIVILEGED SPCULATION IN THIS CAPITAL, AMOUNTS TO BETWEEN \$1 AND \$2 BILLION. THIS CONTRAST IS, IN MY OPINION, ALL THE MORE REASON WHY WE NEED TO PLACE THE ENTIRE CURRENT AND IMMEDIATELY PROSPECTIVE US ECONOMIC ASSISTANCE PROGRAM AND POTENTIAL BEFORE CHAIRMAN MENGISTU, IF WE HOPE TO MAKE SIGNIFICANT PROGRESS.

6. REQUEST FOR AUDIENCE HAS BEEN FILED WITH FOREIGN OFFICE AND AM CONTINUING EFFORTS TO SEE MINISTER OF INDUSTRY AND MINISTER OF FINANCE. MUST UNDERLINE COMMENT BY CHAIRMAN MENGISTU'S CHIEF POLITICAL ADVISOR AUGUST 16 THAT PMGSE ALREADY BECOMING VERY HEAVILY INVOLVED IN PREPARATIONS FOR NEW YEAR SEPTEMBER 11, FOURTH ANNIVERSARY OF REVOLUTION SEPTEMBER 12 AND, IMMEDIATELY FOLLOWING,

SOLIDARITY CONFERENCE.

CHAPIN

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